

UNITED STATES OF AMERICA
Before the
OFFICE OF THRIFT SUPERVISION

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| In the Matter of |) | |
| |) | Order No.: CN 10-41 |
| |) | |
| SECURITY FEDERAL SAVINGS BANK) |) | Effective Date: December 21, 2010 |
| |) | |
| Logansport, Indiana |) | |
| OTS Docket No. 02578 |) | |
| |) | |

ORDER TO CEASE AND DESIST

WHEREAS, Security Federal Savings Bank, Logansport, Indiana, OTS Docket No. 02578 (Association), by and through its Board of Directors (Board), has executed a Stipulation and Consent to Issuance of an Order to Cease and Desist (Stipulation); and

WHEREAS, the Association, by executing the Stipulation, has consented and agreed to the issuance of this Order to Cease and Desist (Order) by the Office of Thrift Supervision (OTS) pursuant to 12 U.S.C. § 1818(b); and

WHEREAS, pursuant to delegated authority, the OTS Regional Director for the Central Region (Regional Director) is authorized to issue Orders to Cease and Desist where a savings association has consented to the issuance of an order.

NOW, THEREFORE, IT IS ORDERED that:

Cease and Desist.

1. The Association and its directors, officers, employees, and agents shall cease and desist from any action (alone or with others) for or toward causing, bringing about, participating in or

counseling, or the aiding and abetting of unsafe or unsound banking practices cited in the June 28, 2010 Report of Examination (2010 ROE) that resulted in operating the Association with an inadequate Compliance Management Program.

2. The Association and its directors, officers, employees, and agents shall also cease and desist from any action (alone or with others) for or toward causing, bringing about, participating in or counseling, or the aiding and abetting of violations of the following laws or regulations cited in the 2010 ROE:

- (a) 12 C.F.R. § 563.177(c)(1) (requiring the development of a system of internal controls to assure ongoing compliance with Bank Secrecy Act (BSA) and Anti Money Laundering (AML) regulations);
- (b) 12 C.F.R. § 563.177(c)(2) (requiring independent testing to ensure compliance with BSA/AML regulations);
- (c) 31 C.F.R. §§ 103.22(b) (regarding the requirement to file currency transaction reports); and
- (d) 15 U.S.C. § 1681g (regarding required disclosures to consumers about credit scores).

Bank Secrecy Act.

3. Within sixty (60) days, the Association shall revise its BSA/AML policies, procedures and systems (BSA/AML Compliance Program) to address all corrective actions in the 2010 ROE related to the Currency and Foreign Transactions Reporting Act, as amended by the USA Patriot Act and other laws (the Bank Secrecy Act or BSA), 31 U.S.C. §§ 5311 et seq., and the related regulations issued and/or administered by the U.S. Department of the Treasury's Financial Crimes Enforcement Network (FinCEN), 31 C.F.R. §§ 103.11 et seq., and the related BSA

regulations issued by the OTS, 12 C.F.R. § 563.177 (collectively, the BSA Laws and Regulations), the FinCEN regulations governing SARs set forth at 31 C.F.R. § 103.18 and the OTS SAR regulation set forth at 12 C.F.R. § 563.180 (collectively, the SAR Regulations), and the Office of Foreign Assets Control (OFAC) regulations set forth in 31 C.F.R. Part 500 (the OFAC Regulations). The Association's BSA/AML Compliance Program shall, at a minimum:

- (a) require that the Association implement a system of internal controls to ensure compliance with the BSA Laws and Regulations, the SAR Regulations, and the OFAC Regulations based on the Association's BSA/AML/OFAC Risk Assessment;
- (b) require the Association to have periodic independent tests of its BSA/AML Compliance Program conducted by a qualified independent employee or independent third party to ensure the Association's compliance with all applicable laws and regulations (BSA Independent Testing), which shall be: (i) performed with an appropriate level of frequency; (ii) fully documented; and (iii) conducted with an appropriate segregation of duties;
- (c) require the establishment of adequate controls and comprehensive procedures to ensure that all suspicious and large currency transactions are identified and reported; and
- (d) require that customers and transactions are monitored in compliance with the OFAC Regulations.

4. Within seventy (70) days, the Association shall submit its BSA/AML Compliance Program to the Regional Director for review and comment. Upon written notification from the Regional Director that the BSA/AML Compliance Program is acceptable, the Association shall implement and adhere to the BSA/AML Compliance Program.

Fair Credit Reporting Act.

5. Effective immediately, the Association shall comply with the requirements of Section 609(g) of the Fair Credit Reporting Act, 15 U.S.C. § 1681g, requiring certain disclosures by mortgage lenders to consumers.

Flood Disaster Protection Act.

6. Within sixty (60) days, the Association shall revise its policies, procedures and systems related to flood insurance (Flood Program) to address all corrective actions set forth in the 2010 ROE relating to flood insurance and to comply with the requirements of the National Flood Insurance Act of 1968 and the Flood Disaster Protection Act of 1973, as amended, 42 U.S.C. §§ 4001-4129, as implemented by Part 572 of the OTS's Rules and Regulations, 12 C.F.R. Part 572, and the applicable regulatory guidance.

Compliance Management Program.

7. Within ninety (90) days, the Association shall revise its written consumer compliance program (Compliance Management Program) to address all corrective actions set forth in the 2010 ROE relating to compliance management. The Association's Compliance Management Program shall comply with all applicable consumer and other compliance laws, regulations and regulatory guidance and be appropriate for the Association's size, complexity, product lines and business operations.

8. Within one hundred (100) days, the Association shall submit its Compliance Management Program to the Regional Director for review and comment. Upon written notification from the Regional Director that the Compliance Management Program is acceptable, the Association shall implement and adhere to the Compliance Program.

Violations of Law.

9. Within thirty (30) days, the Association shall ensure that all violations of law and/or regulation discussed in the 2010 ROE are corrected and that adequate policies, procedures and systems are established or revised and thereafter implemented to prevent future violations.

Effective Date, Incorporation of Stipulation.

10. This Order is effective on the Effective Date as shown on the first page. The Stipulation is made a part hereof and is incorporated herein by this reference.

Duration.

11. This Order shall remain in effect until terminated, modified or suspended, by written notice of such action by the OTS, acting by and through its authorized representatives.

Time Calculations.

12. Calculation of time limitations for compliance with the terms of this Order run from the Effective Date and shall be based on calendar days, unless otherwise noted. If the time calculation falls on a weekend day or national holiday, then the time limit will be the first business day following the weekend day or national holiday.

13. The Regional Director or an OTS authorized representative may extend any of the deadlines set forth in the provisions of this Order upon written request by the Association that includes reasons in support for any such extension. Any OTS extension shall be made in writing.

Submissions and Notices.

14. All submissions, including any reports, to the OTS that are required by or contemplated by this Order shall be submitted within the specified timeframes.

15. Except as otherwise provided herein, all submissions, requests, communications, consents or other documents relating to this Order shall be in writing and sent by first class U.S.

mail (or by reputable overnight carrier, electronic facsimile transmission or hand delivery by messenger) addressed as follows:

(a) **To the OTS:**

Regional Director
Office of Thrift Supervision
One South Wacker Drive, Suite 2000
Chicago, Illinois 60606
Facsimile: (312) 917-5001

(b) **To the Association:**

Chairman of the Board
Security Federal Savings Bank
314 4th Street
Logansport, Indiana 46947
Facsimile: (574) 722-3760

No Violations Authorized.

16. Nothing in this Order or the Stipulation shall be construed as allowing the Association, its Board, officers or employees to violate any law, rule, or regulation.

IT IS SO ORDERED.

OFFICE OF THRIFT SUPERVISION

By: _____/s/
Daniel T. McKee
Regional Director, Central Region

UNITED STATES OF AMERICA
Before the
OFFICE OF THRIFT SUPERVISION

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| SECURITY FEDERAL SAVINGS BANK) | | Effective Date: December 21, 2010 |
| |) | |
| Logansport, Indiana |) | |
| OTS Docket No. 02578 |) | |
| |) | |

STIPULATION AND CONSENT TO ISSUANCE OF ORDER TO CEASE AND DESIST

WHEREAS, the Office of Thrift Supervision (OTS), acting by and through its Regional Director for the Central Region (Regional Director), and based upon information derived from the exercise of its regulatory and supervisory responsibilities, has informed Security Federal Savings Bank, Logansport, Indiana, OTS Docket No. 02578 (Association) that the OTS is of the opinion that grounds exist to initiate an administrative proceeding against the Association pursuant to 12 U.S.C. § 1818(b);

WHEREAS, the Regional Director, pursuant to delegated authority, is authorized to issue Orders to Cease and Desist where a savings association has consented to the issuance of an order; and

WHEREAS, the Association desires to cooperate with the OTS to avoid the time and expense of such administrative cease and desist proceeding by entering into this Stipulation and Consent to the Issuance of Order to Cease and Desist (Stipulation) and, without admitting or denying that such grounds exist, but only admitting the statements and conclusions in Paragraphs

1 and 2 below concerning Jurisdiction, hereby stipulates and agrees to the following terms:

Jurisdiction.

1. The Association is a “savings association” within the meaning of 12 U.S.C. § 1813(b) and 12 U.S.C. § 1462(4). Accordingly, the Association is an “insured depository institution” as that term is defined in 12 U.S.C. § 1813(c).

2. Pursuant to 12 U.S.C. § 1813(q), the Director of the OTS is the “appropriate Federal banking agency” with jurisdiction to maintain an administrative enforcement proceeding against a savings association. Therefore, the Association is subject to the authority of the OTS to initiate and maintain an administrative cease and desist proceeding against it pursuant to 12 U.S.C. § 1818(b).

OTS Findings of Fact.

3. Based on a comprehensive examination of the Association, the OTS finds that the Association has engaged in unsafe or unsound banking practices including operating with an inadequate Compliance Management Program as described in the OTS Report of Examination of the Association dated June 28, 2010 (2010 ROE).

4. The OTS also finds that the Association has violated the following laws and regulations cited in the 2010 ROE:

- (a) 12 C.F.R. § 563.177(c)(1) (requiring the development of a system of internal controls to assure ongoing compliance with Bank Secrecy Act (BSA) and Anti Money Laundering (AML) regulations);
- (b) 12 C.F.R. § 563.177(c)(2) (requiring independent testing to ensure compliance with BSA/AML regulations);
- (c) 31 C.F.R. §§ 103.22(b) (regarding the requirement to file currency transaction

reports); and

(d) 15 U.S.C. § 1681g (regarding required disclosures to consumers about credit scores).

Consent.

5. The Association consents to the issuance by the OTS of the accompanying Order to Cease and Desist (Order). The Association further agrees to comply with the terms of the Order upon the Effective Date of the Order and stipulates that the Order complies with all requirements of law.

Finality.

6. The Order is issued by the OTS under 12 U.S.C. § 1818(b). Upon the Effective Date, the Order shall be a final order, effective, and fully enforceable by the OTS under the provisions of 12 U.S.C. § 1818(i).

Waivers.

7. The Association waives the following:

- (a) the right to be served with a written notice of the OTS's charges against it as provided by 12 U.S.C. § 1818(b) and 12 C.F.R. Part 509;
- (b) the right to an administrative hearing of the OTS's charges as provided by 12 U.S.C. § 1818(b) and 12 C.F.R. Part 509;
- (c) the right to seek judicial review of the Order, including, without limitation, any such right provided by 12 U.S.C. § 1818(h), or otherwise to challenge the validity of the Order; and
- (d) any and all claims against the OTS, including its employees and agents, and any other governmental entity for the award of fees, costs, or expenses related to this OTS

enforcement matter and/or the Order, whether arising under common law, federal statutes or otherwise.

OTS Authority Not Affected.

8. Nothing in this Stipulation or accompanying Order shall inhibit, estop, bar, or otherwise prevent the OTS from taking any other action affecting the Association if at any time the OTS deems it appropriate to do so to fulfill the responsibilities placed upon the OTS by law.

Other Governmental Actions Not Affected.

9. The Association acknowledges and agrees that its consent to the issuance of the Order is solely for the purpose of resolving the matters addressed herein, consistent with Paragraph 8 above, and does not otherwise release, discharge, compromise, settle, dismiss, resolve, or in any way affect any actions, charges against, or liability of the Association that arise pursuant to this action or otherwise, and that may be or have been brought by any governmental entity other than the OTS.

Miscellaneous.

10. The laws of the United States of America shall govern the construction and validity of this Stipulation and of the Order.

11. If any provision of this Stipulation and/or the Order is ruled to be invalid, illegal, or unenforceable by the decision of any Court of competent jurisdiction, the validity, legality, and enforceability of the remaining provisions hereof shall not in any way be affected or impaired thereby, unless the Regional Director in his or her sole discretion determines otherwise.

12. All references to the OTS in this Stipulation and the Order shall also mean any of the OTS's predecessors, successors, and assigns.

13. The section and paragraph headings in this Stipulation and the Order are for convenience only and shall not affect the interpretation of this Stipulation or the Order.

14. The terms of this Stipulation and of the Order represent the final agreement of the parties with respect to the subject matters thereof, and constitute the sole agreement of the parties with respect to such subject matters.

15. The Stipulation and Order shall remain in effect until terminated, modified, or suspended in writing by the OTS, acting through its Regional Director or other authorized representative.

Signature of Directors/Board Resolution.

16. Each Director signing this Stipulation attests that he or she voted in favor of a Board Resolution authorizing the consent of the Association to the issuance of the Order and the execution of the Stipulation. This Stipulation may be executed in counterparts by the directors after approval of execution of the Stipulation at a duly called board meeting.

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WHEREFORE, the Association, by its directors, executes this Stipulation.

SECURITY FEDERAL SAVINGS BANK
Logansport, Indiana

Accepted by:
Office of Thrift Supervision

_____/s/_____
John R. Hills, Director

By:_____/s/_____
Daniel T. McKee
Regional Director, Central Region

_____/s/_____
Jeffrey Baker, Director

Date: See Effective Date on page 1

_____/s/_____
Patricia K. Brandstatter, Director

_____/s/_____
Dianne J. Brown, Director

_____/s/_____
Bret Rinehart, Director

_____/s/_____
Annette M. Russell, Director

_____/s/_____
Brian T. Shockney, Director

_____/s/_____
W. David Steinhilber, Director